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Thomas W. Hayes
Auditor General

April 11, 1988

P-745.2

Honorable Bruce Bronzan, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 448
Sacramento, California 95814

Dear Mr. Chairman and Members:

In our letter report P-745.1, dated January 11, 1988, we reported on the expenses of the members of the board of directors of the Bay Area Rapid Transit District, the Sacramento Regional Transit District, the San Diego Transit Corporation, and the San Mateo County Transit District, and we stated our intention to provide similar information on the Alameda-Contra Costa Transit District. Table 1 on page 2 of this letter summarizes the expenses for the Alameda-Contra Costa Transit District's board of directors for fiscal years 1985-86 and 1986-87. The table addresses seven areas: the fees paid to the directors, the benefits provided to the directors, the expenses for board and committee meeting travel, the expenses for all other travel, the expenses for elections, the expenses for administration, and total expenses for the board of directors. In addition, we have also included in the text a background section on the district.

Table 2 on page 3 presents the total yearly expenses for each board of directors and for each district and the percentage of directors' expenses to district expenses for the Alameda-Contra Costa Transit District, the Golden Gate Bridge, Highway and Transportation District, the Bay Area Rapid Transit District, the Sacramento Regional Transit District, the San Diego Transit Corporation, and the San Mateo County Transit District.

TABLE 1
SUMMARY OF BOARD OF DIRECTORS' EXPENSES
ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
FISCAL YEARS 1986-87 AND 1985-86
(Unaudited)

<u>Expenses</u>	<u>1986-87</u>		<u>1985-86</u>	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>
Directors' fees	\$ 41,300	11%	\$ 40,600	27%
Medical, life, and retirement benefits*	162,500	44	20,000	14
Board and committee meeting travel expenses	4,100	1	3,500	2
Other travel expenses	52,100	14	50,000	34
Election expenses**	79,100	21	0	0
Administrative expenses***	<u>31,700</u>	<u>9</u>	<u>33,500</u>	<u>23</u>
Total Directors' Expenses	<u>\$370,800</u>	<u>100%</u>	<u>\$147,600</u>	<u>100%</u>

Source: Alameda-Contra Costa Transit District

* For fiscal year 1986-87, this category includes a one-time expense of \$130,500 for a retirement annuity for district directors.

** Election expenses consist primarily of charges by the Alameda County registrar of voters for the November 1986 general election. The Alameda-Contra Costa Transit District is one of two districts we reviewed with elected boards of directors. The other district, the Bay Area Rapid Transit District, also incurred election expenses in fiscal year 1986-87. However, the district considers election expenses as general district expenses rather than board of directors expenses.

*** Administrative expenses include management service fees of \$21,650, entertainment expenses of \$12,444, and legislative representation fees of \$14,261. Other districts we reviewed incurred similar expenses for management services and legislative representation, but did not directly charge them to their boards of directors.

TABLE 2

**EXPENSES FOR EACH BOARD OF DIRECTORS AND FOR EACH DISTRICT
AND THE PERCENTAGE OF THESE TOTAL EXPENSES
FOR EACH BOARD OF DIRECTORS
FISCAL YEARS 1986-87 AND 1985-86
(Unaudited)**

	<u>1986-87</u> <u>Amount</u>	<u>1985-86</u> <u>Amount</u>
Total Directors' Expenses:		
Alameda-Contra Costa Transit District	\$ 370,800*	\$ 147,600
Golden Gate Bridge, Highway and Transportation District	173,200	178,500
Bay Area Rapid Transit District	150,900	152,300
Sacramento Regional Transit District	12,600	17,700
San Diego Transit Corporation	18,000	25,100
San Mateo County Transit District	49,700	50,300
Total Expenses:		
Alameda-Contra Costa Transit District	119,101,000	111,113,000
Golden Gate Bridge, Highway and Transportation District	59,651,000	58,717,000
Bay Area Rapid Transit District	233,147,000	226,048,000
Sacramento Regional Transit District	29,616,000	26,692,000
San Diego Transit Corporation	41,555,000	40,451,000
San Mateo County Transit District	37,020,000	35,097,000
Percentage of Directors' Expenses to District Expenses:	<u>Percent**</u> <u>of Total</u>	<u>Percent**</u> <u>of Total</u>
Alameda-Contra Costa Transit District	.31%*	.13%
Golden Gate Bridge, Highway and Transportation District	.29	.30
Bay Area Rapid Transit District	.06	.07
Sacramento Regional Transit District	.04	.06
San Diego Transit Corporation	.04	.06
San Mateo County Transit District	.13	.14

Source: District general ledgers and financial reports for fiscal years 1986-87 and 1985-86.

* This figure includes management service fees of \$21,650, legislative representation fees of \$14,261, and election expenses of \$79,100. Other districts we reviewed incurred expenses for management services and legislative representation, but did not charge them to their boards of directors. Also, the Bay Area Rapid Transit District incurred election expenses; however, this district did not charge the election expenses to its board of directors.

** The following percentages are hundredths of one percent of the total yearly district expenses for fiscal years 1986-87 and 1985-86.

Scope and Methodology

As part of our work to determine the directors' expenses, we reviewed the directors' minutes, timesheets, and travel claims and other supporting documentation for fiscal years 1985-86 and 1986-87. We also reviewed travel and entertainment expenses for the district's board of directors for calendar years 1986 and 1987. Consistent with our review of the districts in Report P-745.1, we recorded only those expenses charged to the board of directors by the district. We discussed the contents of this letter with a representative of the district.

Alameda-Contra Costa Transit District

The Alameda-Contra Costa Transit District (district) operates 818 buses that provide transit services to approximately 240,000 weekday passengers in Alameda and Contra Costa counties and, to a lesser extent, to San Francisco and San Mateo counties. The district's headquarters are in Oakland.

As specified in the California Public Utilities Code, the district is governed by a seven-member board of directors that is elected by the voters of Alameda and Contra Costa counties. The board members serve four-year terms. Five directors represent wards, which are specific areas in the two counties, and two directors at-large represent all of the voters of the district.


Section 24908 of the California Public Utilities Code authorizes the district to pay directors' fees of \$100 per day for each attendance at a meeting of the board and for each day that a board member is engaged in authorized district business. However, no director may receive more than \$500 in a calendar month for these activities. In addition, the district reimburses directors for travel and personal expenses incurred in the performance of their duties.

On March 8, 1988, we issued a report entitled "The Alameda-Contra Costa Transit District's Financial and Administrative Controls Need Improvement," Report P-767. During our review of the district, we determined that the district has weak controls over expenses for its board of directors. While our review did not identify large dollar amounts of improper expenses, the frequency and variety of problems indicate that the district is vulnerable to much larger losses of funds because of its weak controls.

Honorable Bruce Bronzan, Chairman
Members, Joint Legislative
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We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,


for THOMAS W. HAYES
Auditor General